Papers reserved

App. F. IX-4

Previous Ref

File No. ~~Notes~~ 24-9

Serial Nos. 31

Later References

General and Revenue Secretariat.

Serial Nos.

Part B for

SUBJECT.

Preliminary Correspondence leading to Sanad of Civil Suit - on the file of — the Dist. Judge Bangalore

G. R. S. III—3]

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Sandal oil Civil Case

Draft to Govt Advocate as
per instructions put up
for kind orde

4-5-29

4/5

To,
The Govt Advocate
Bangalore

No: 620-P/4.5.29

Request, ... to ...
a draft plaint at once

Tel Address :—"Sandal Bangalore"

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

No. 6439/5

Bangalore, 9th May 1929.

FROM

THE DIRECTOR,

SANDALWOOD OIL FACTORIES IN MYSORE,

BANGALORE.

To

The Secretary to the Government of

His Highness the Maharaja of Mysore,

Law Department.

Sir,

With reference to your letter No. P.6787/Law dated the 7th of May 1929, requesting for certain particulars in regard to the amount due from the Essenfleur Products, Ltd., on account of the sandalwood oil agency, I have the honour to state as follows:

The amount due from the Essenfleur Products on the 31st of December 1928 was £.64,050-13-4 in respect of the London sales and $.150,818.43 in respect of the American sales. The transactions subsequent to the 31st of December 1928, although conducted in the name of the Essenfleur Products, are being carried out directly by the factories and I, therefore, do not give the balance outstanding up till this date against the Agents, as that will only ~~be nominal~~ for ~~and~~ not correctly represent the amount for which they are liable.

Out of the amounts shown as due in respect of the London and American sales as on the 31st of December 1928, the following amounts have since been collected in London and America, namely £.14,866-9-9 and $.72,106.73 respectively. This would, therefore, mean that the amounts for which the Essenfleur Products are liable at present in respect of the sales for which they were directly responsible are £.49,184-3-7 in respect of the London sales and $.78,711.70 in respect of the American sales. I trust I have made the position clear.

I enclose four statements, giving particulars of the quantity of oil sold in London and New York from the beginning of the agency up to the 31st of December 1928. With a view to complete the statement, I have also included the sales effected since the 1st of January 1929 to the end of April 1929. There is also another statement showing the value of the oil sold both in London and New York from the beginning of the agency up to date. This statement also differentiates the value of the oil sold subsequent to the 1st of January 1929 and up to the end of April 1929. The third statement shows the remittances from the beginning of the agency up to the 31st of December 1928 both in London and in New York, and it also gives the remittances between the 1st of January and the 30th of April 1929. The fourth statement gives particulars of the arrears due from the Essenfleur Products in respect of the London sales, as also the amount due in respect of the American sales.

I have already stated above that out of the £.64,050-13-4 due in respect of the London sales, £.14,866-9-9 has been collected since the end of December 1928. The latter amount represents the outstandings actually due from the parties. The difference, namely £.49,184-3-7 is the amount due to Government, collected from the buyers but defalcated by the Agents. As a credit towards this amount, Mr. K.B. Mavlankar, the agent of the Essenfleur Products in London, has remitted £.3,000 of his own money.

I may also state that, since November 1928, the Agents have not been given credit towards their sale expenses or commission at 3½%. The sales expenses and commission for the business done in November and December 1928 have not yet been ascertained. Mr. Mavlankar has been requested to send me particulars of these accounts. The sale expenses and commission for the business done from 1st January 1929 to the end of March 1929 amount to £.1,419-2-7. The Agents will naturally have to be given credit for this amount, as well as the amount towards the commission and sale expenses of November and December

December 1928 after the same is ascertained and pass...

In regard to the $.78,711.70 referred to as still due in regard to the American sales, I may point out that this represents the amount alleged to have been sent by Messrs. Cox, Aspden & Fletcher at the direction of the Essenfleur Products to Mr. K.B. Mavlankar in London. Messrs. Cox, Aspden & Fletcher have taken credit in their accounts for this remittance. This has, however, not been allowed as the remittance was unauthorised and has not been credited to Government account. This amount is, therefore, still shown as outstanding against the Essenfleur Products, Ltd., Mysore.

I have the honour to be,

S i r,

Your most obedient servant,

C Ranganatha Rao Sahib

Director.

Statement shewing the quantity of oil sold by the Essenfleur Products Ltd., Mysore, both in London and New York since September 1923:--

	London. lbs.	Canada & America lbs.	Totals lbs.
1923 - 1924. (Sep.'23 to 30-6-'24.) ...	[1]@. 113,932		113,932
1924 - 1925.	108.779	38.625	
1925 - 1926.	98,183	60,400	158,583
1926 - 1927.	98,783	46,600	145,383
1927 - 1928.	102,224	62,225	164,449
1928 - 1929. i. July to Decr.'28.	[illegible]	[illegible]	87,804
	579,075	238,480	817.555
-do- ii. Jan. to April '29.	36,224	24,550	60,774
	615,299	[2]@.263,030	878,329

[1]@. During this year sales to America were made through the London office of the Agents.

[2]@. This includes 23,325 pounds of oil distilled at the Factories and consigned to America and Canada and the balance 239,705 pounds of oil was distilled in America and sold.

Director,
Sandalwood Oil Factory.

Statement shewing the value of oil sold by the Essential Products Ltd., Mysore, both in London and America since September 1923.

	London. £. s. d	merica. $.
1923 - 1924. (1-9-'23 to 30-6-'24	129,769 4 11	--
1924 - 1925. ...	123,032 5 5	2,33,850.00
1925 - 1926. ...	110,134 15 9	3,80,546.10
1926 - 1927. ...	107,152 13 11	2,82,641.28
1927 - 1928. ...	111,966 8 3	3,71,345.04
1928 - 1929 - July to Decr.'28.	63,797 8 0	1,04,974.27
	645,852 17 3	14,53,356.69
d difference in Invoices noticed by Mr. K. Parthasarathi during his audit. ...	3,699 6 0	
	649,552 3 3	14.53.356.69
1928 - 1929 - Jan. to April 1929.	42,614 14 1	1,34,917.80
Total	692,166 17 4	15,88,274.49

Statement shewing the Remittances received by Messrs. Coutts & Co., for credit to Mysore Government, from the Essenflet cts Ltd., Mysore, from 1st September 1923 to end of April 1929.--

		London. £.	America. $.
1923 - 1924 (1-9-'23 to 30-6-'24.)	...	84,850	
1924 - 1925.	... ...	123,500	1,28,500.00
1925 - 1926.	... ...	96,500	2,79,500.00
1926 - 1927.	... ...	96,000	2,30,000.00
1927 - 1928.	... ...	103,500	2.71.143.75
1928 - 1929 - 1-7-'28 to 31-12-'28.		52,000	1,05,000.00
		556,350	10,14,143.75
-do-	1-1-'29 to 30-4-'29.	41,596	1,46,505.31
	Total	597,946	11,60,649.06

Director,
Sandalwood Oil Factory.

MA

Statement shewing the Amounts due from the Essenfleur Products Ltd., Mysore, for the London transactions.:-

		s.	d.
Total amounts due by the Agents as per Mr. K. Parthasarathi's Audit Report at the end of December 1928. ...	64,050	13	4
Amount actually due by buyers on 31-12-'28. Transferred to January Accounts.	14,866	9	9
Amount debarcated by the Agents. ...	49,184	3	7
Less Amount credited on 4th April 1929 by Mr. K. B. Mavlankar.	3,000	0	0
	46,184	3	7

Against this the Agents have raised debits for the expenditure incurred by them including their 3½% commission since January 1929 to end of March 1929 of £.1419- 2- 7.

K Parthasarathi
Director,
Sandalwood Oil Factory

Statement shewing the position of outstandings in America.

	H. S. Cox's Accounts. $.	Essenfleur Produ Accounts. $.
Outstandings as on 31st December 1928.	72,106.73	150,391.10
Clearing charges S.S."CALEDONIA" not included in H.S. Cox's accounts.		27.33
	72,106.73	150,818.43

The difference of $.78,711.70 is due to transfer to London under instructions from Mr. Sitaramachar.

Director,
Lakwood Oil Factor

In reply please refer to
No. D.O. No. 57

Tel. Address :—
"JURIST," Bangalore

OFFICE OF THE GOVERNMENT ADVOCATE
N MYSORE,

Bangalore ...1st June 1929

IMMEDIATE &
CONFIDENTIAL.

Dear Sir,

RC 116/29

With reference to your D. O. requiring a draft of a plaint to be filed against the Essenfleur Products Ltd., and its Directors, I mentioned to you the other day when we discussed the matter that it would be safer to start liquidation proceedings in the District Court. May I know what course you have thought of adopting? On hearing from you, I shall prepare the necessary draft and send it on you as required.

Yours sincerely,

[illegible]

.. Mallaiah, Esq., B.A., B.L.,
Secretary to Government

Appendix F G—1

SUBJECT

.....

Diary No. of letter replied to.....

Section

File No

Serial N

No. 658

General and Revenue Secreta

( )

the *192*

To

A. R. Nageswara Iyer Esq

Date of issue.....

Dear Mr. Nageswara Iyer,

With reference to

Signed by .....

your D.O. letter No. 56 ~~dated~~ of

today's date requiring certain

proceedings against the Essenfleur

Mrs. Directors I am to request

you to prepare a draft

plaint and send it on

st of enclosures.....

to me pending final

decision in the matter

Copied by.....

of the advice of Counsel

to be taken

Examined by.....

WD 0399—GPB—20,000—18-9-2

OFFICE OF THE GOVERNMENT ADVOCATE
IN MYSORE.

In reply please refer t
D.O. No. 64

Tel. Address :—
"JURIST", Bangalore

Bangalore, 20th Jun 1929.

Returned to Govt. with A. L. reply on 5/8/29 for information

Confidential

Rd 20/6/29

Dear Sir,

Herewith a draft Plaint in connection with the Sandalwood Oil claim against the Essenfleur Products, Co., and the Directors, for consideration subject to final decision whether a suit should be filed or liquidation proceedings adopted as suggested by you in your D. O. letter No.658/P dated the 1st June 1929.

Yours sincerely,

Govt Counsel

P. Mahadevayya, Esq., B.A., B.L.,
Secretary to Government,
Law Department, BANGALORE.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. 121 / ones: 4 Bangalore, dated 25th June 192

From

S. SHAMANNA, E
Comptroller to the Government of
His Highness the Maharaja of Mysore,
BANGALORE.

Mahadevayya, Esq., B.A., B.L.,
Secretary to Government,
Law Department,
Bangalore.

Sir,

With reference to your letter No.639/P dated 25th May 1929 forwarding the Balance Sheets of the Essenfleur Products Limited, for the three years ending 30th June 1924, 1925 and 1926 for being got scrutinised by Mr. K.R. Krishnaswamy Iyengar, I have the honour to enclose herein the report submitted by him.

2. The three Balance Sheets are also herewith returned and their receipt may be kindly acknowledged.

I have the honour to be,

Sir,

ur most obedient servan

S. Shamanna

Comptroller.

Report on the Balance Sheets of the Essenflour Products Ltd., as on 30th June 1924, 30th June 1925, 30th June 1926 and 30th June 1927.

The Balance Sheets as well as the Account Books and records of the Company have been already checked by Chartere and Certified Accountants and Auditors, namely, Messrs. Frase & Ross and Venkatasubbiah Naidu of Madras.

All the transactions of the Company need not therefo be once again audited in detail; nor is such a detailed audit practicable at present owing to the following circumstances:--

(a) Some of the records required for verifying and explaining the various figures appearing in th Balance Sheets and Profit and Loss Statements relating to the past several years may not be available at all at this distance of time.

(b) The Officers of the Company from whom explanations will be required in this connection may either not be available now or not be in a position to give the required explanation unde present circumstances.

(c) An exhaustive audit of the past several years' transactions of the Company will also entail considerable cost, as a Senior Accounts Officer with one or two assistants under him will have to be solely deputed for this work for a period of about two or three months; and even then, the audit would be imperfect owing to the circumstances mentioned in (a) and (b) above.

What has now been done is accordingly limited to a comparison of the figures shown in the Balance Sheets with those shown in the General and Personal Ledgers of the Company, and connected shedules, mainly with a view to see if they represent any false or fictitious assets or liabilities.

The following points are noticed:-

a. It is seen from Mr. Parthasarathy's report on the Audit of the Accounts of Mr. Mavlankar (the Company's Representative in London) that Mr. Mavlankar was realising amounts from Sandal Oil buyers and not remitting them either to "The Mysore Government Royalty A/c" or to the "Essenflour Products Ltd.

Sandal Oil A/c" with Coutts & Co.. to the extent noted below:

	£ Sh. d.
To end of June 1924.	3293-12- 4
To end of June 1925.	6451-12- 7
To end of June 1926.	23489-10- 3
To end of June 1927.	34016-19- 4

The Essenflour Products Ltd. are working out the balances due from the buyers on the basis of the amounts credited by Mr.K.B.Mavlankar to the "Essenflour Products Ltd. Sandal Oil A/c" with Coutts & Co., and these balances were exhibited in the several Balance Sheets under Book Debts in the connected Shedules and are therefore incorrect. The assets shown under "Book Debts" and amounts realised by Mr Mavlankar and appropriated by him should have been shown in the Shedules as due from him instead of from the various Buvers.

b. Mr. Mavlankar was sending periodical Accounts-current to the Company, and the balance shown therein as due to him do not agree with the amounts shown in the Books of the Company. The difference as at the end of June 1927 is £ 6285-19-3 as noted below.

Balance as per Mr.Mavlankar's Account-Current for the period ended 30th Septr.26 -		7945-13- 8
—do— for the period from October 26 to June 27 in which the previous balance is not brought down-		6501- 15- 1
Total.		14447- 8- 9
Balance according to the Books of the Company -		8161- 9- 6
Difference.		6285-19- 3

c. The balances shown against Messrs. Cox Aspden & Fletcher could not be verified as the

as Statements of Accounts, if any, received from the
are not available.

d. Acceptances from creditors and debtors fo
the balances shown against them are not available.

e. Depre..... has not been provided on the
fixed Assets (Buildings, Plant and Machinery, Power
and Light, and Laboratory Equipment) since 1st July
1924.

f. The Stock Sheets for the following amou
shown in the Balance Sheet are not available.

	Rs. as. P.
Balance Sheet as on 30th June 1924.	
Stock of Oil at Factory.	39,401- 3- 0
Stock of Oils with the Agent	181,812- 2- 6
Raw materials.	59,895-15- 4
Stores.	12,805- 5- 6
Balance Sheet as on 30th June 1927.	
Stock of Oils	35,365- 4- 9

Report on the audit of accounts of the Essenflour Products Limited, relating to their Agency for sale of Mysore Government Sandal Oil for the period from September 1923 to end of October 1928.

I. GENERAL.

The Agency for sale of sandal oil was transferred from Messrs. Whiffin and Sons Limited, London, to Essenflour Products Limited, Mysore, in September 1923, although the formal agreement with the latter was got executed only on 10th June 1925. According to this agreement, the Agency was for a period of three years from 1st September 1923. This period was, by a subsequent agreement, extended by three years and four months. The provisions contained in the agreement in regard to maintenance of accounts, payment of commission, etc., are summarised below:-

(a) The agents shall maintain true and correct accounts which will be open to the inspection of the Director (on behalf of Government) either by himself or his clerks or agents at all reasonable times.

(b) All sale proceeds less commission and other expenses authorised by Government should be remitted to the account of the Government of Mysore with Messrs. Coutts and Co. in London without any delay and not less than once a week.

(c) The agents shall remit the sale price of oil sold by them to the credit of Government within six months after the sale, whether they have recovered the same or not.

(d) The Agents shall be allowed a commission of 3½ per cent on the sale proceeds realised by them.

II. NATURE OF LONDON AND AMERICAN ACCOUNTS.

The representatives of the Agents in London and America are Messrs. Mavlankar and Cox Aspden and Fletcher respectively, who are arranging for the realisation and remittance of the sale proceeds and are furnishing the marginally described monthly accounts to the Head Office of the Company at Mysore.

A special account was opened (as per Directors' resolution dated 26th September 1923) with Messrs. Coutts and Co. at London, termed "The Essenflour Products Limited Sandalwood oil account," presumably for crediting all sale proceeds of sandal oil and transferring them not less than once a week to the Mysore Government Royalty Account as required in the agreement. The Directors in their resolution dated 6th December 1923 authorised Messrs. M.L.Vardamaniah, R.Sitaramachar and K.B.Mavlankar to operate on this account Weekly extracts of this account are received from Coutts in the Mysore Office and duplicate copies of the same from Mr.Mavlankar also. The sale proceeds at America are being credited directly to the Mysore Government Royalty Account with Messrs. Coutts and Co.

(1) Account sale showing the sales, the remittances to Government as well as working expenses chargeable to Government and the balance due to Government - the sale figures being supported by copies of invoices issued to parties and the expenses supported by a detailed schedule.

(2) A stock account of oil described as "Sales Report" showing the receipts, issues and balance of oil.

III. LONDON ACCOUNTS.

(i) Delays in remitting to Government Account, and improper utilisation of sale proceeds by the Company or Mr. Mavlankar.

Although the agreement prescribed that the sale proceeds should be credited to the Government Account with Messrs. Coutts and Co. in London without any delay, it is noticed that this requirement was rarely complied with. The sale proceeds were being used, from time to time, by the Essenflour Products Co. Limited, or its representative viz., Mr.Mavlankar. The remittances to Government Account were considerably delayed and some amounts realised are still unremitted (vide para III (ii) infra). From the returns received from London, it can also be inferred that several amounts must have been already realised by the London representative, but not shown in his returns sent to the Head Office at Mysore or remitted to the Government account or the account of the Essenflour Products Co. Ltd. with Messrs. Coutts and Co. (vide para III (iii) infra).

(ii) Extent of utilisation of sale proceeds by the Company.

(a) A statement (Appendix A) is enclosed, showing the total amounts drawn by Mr. Mavlankar out of (the sale proceeds credited to) the "Essenflour Products Co. Limited - Sandal Oil Account" up to certain dates on which the drawings were heavy, the commission and other charges due to the Company from Government up to these dates and the net overdraval by the Company. The amounts withdrawn from Coutts and Co. have been utilised for the purposes shown in Appendix B, from which it will be seen that all the heavy drawings are either for reducing the Company's liabilities to Mr. Mavlankar or in partial reduction or discharge of overdrafts and loans taken by the Company from the Mysore Bank, or for financing such allied concerns as the Mysore Development Syndicate or the Mysore Asbestos Co. Limited, which are being managed by some of the Directors of the Essenflour Products Co. Limited. Particular reference is invited to the following amounts that were remitted (out of drawings from the sandal oil account at Coutts) by Mr. Mavlankar to the Head Office during 1925-26 and utilised for the purposes noted against each:-

Rs. 74,766-8-9 (£5,600-0-0) credited to the Mysore Bank towards "Produce Loan Account".
Rs. 19,759-13-9 (£1,500-0-0) paid to the Mysore Asbestos Products Limited.
Rs. 26,528-7-11 (£2,000-0-0) paid to the Mysore Development Syndicate.

Such indiscriminate withdrawals of sandal oil sale proceeds for other purposes of the Company cannot but be regarded as reprehensible misappropriation of Government money.

(b) A sum of £5,220 was realised by Mr. Mavlankar on 24th September 1923 from Messrs. P.Astiers on account of sale of sandal oil. This amount was not credited to the "Essenflour Products Co. Limited - Sandal Oil Account" or to the "Mysore Government Royalty Account" with Messrs. Coutts and Co. Credit has however been given by Mr.Mavlankar to the general account of the Essenflour Products Limited with him.

(c) A further sum of £6,101-18-9 was realised by Mr.Mavlankar on 20th October 1924 from Messrs. P.Astiers on account of sale of sandal oil; but this amount was remitted to the "Essenflour Products Ltd. - Sandal Oil Account" only on 4th February 1925, i.e., after a delay of nearly 3½ months.

(d) It is also seen from the weekly extracts of the Company's Sandal Oil Account with Coutts and Co. that there have been considerable delays in transferring the collected funds from this account to the Mysore Government Royalty Account with Messrs. Coutts and Co.

(iii) Delay in the realisation of London Outstandings and probable realisation and appropriation by Mr. Mavlankar.

(a) It is strange that the Company's Office at Mysore has not all along been getting from Mr. Mavlankar any return or statement of sale amounts realised by him from time to time. In the ledger maintained in the Company's Office for watching the receipts against individual invoices for sales of oil, the credits were posted merely from the weekly extracts of sandal oil account received from Coutts; and the list of outstandings was being periodically prepared by the Mysore Office on this basis, while no such list was ever obtained under the signature of Mr. Mavlankar himself. The Mysore Office called for lists of outstandings in their letters Nos. 856 dated 30th December 1926, 356 dated 8th June 1927, and 639 dated 20th June 1928 addressed to Mr. Mavlankar, but none has been furnished by him so far.

(b) It is however noticed from the weekly statements received from Coutts that sandal oil receipts in favour of most of the parties are found credited in batches on one and the same date, thus leading to the inference that these amounts could not have been directly credited by the parties themselves into Coutts, but that Mr.Mavlankar must have himself received such amounts from them and credited them subsequently, according to his own convenience, to the Sandal Oil account in Coutts and Co. in the names of the respective parties.

(c) It is also noticed from a comparison of the dates on which payments were due from parties as per invoices and the dates on which the corresponding amounts were credited to the Coutts and Co.'s Sandal Oil Account, that there has been an interval of two to three months in almost all the cases. Even in the case of several invoices payable in cash on delivery, the amounts are found credited into Coutts and Co. long after the due dates. The periodical lists of outstandings prepared during the last two years by the Mysore Office on the basis of the dates of credit as shown in the weekly statements received from Coutts would make it appear that the amounts due on all the sales of four to five months old remained always unrealised. That all the customers, some of whom are of long standing and very respectable firms, would have habitually failed in meeting their bills on the due dates could not for a moment be thought of. The only reasonable inference that can be drawn is that Mr.Mavlankar must have himself received the amounts from the parties and credited them long after into Coutts and Co. The exact amounts received by Mr.Mavlankar and retained by himself without being remitted to Coutts and Co. can be ascertained only by an examination of his private accounts at London.

(d) The amounts due to Government from the Agents on London sales have also gradually increased from year to year - vide Appendix C.

(iv) Failure of Mysore Office to take necessary action.

(a) The suspicion that Mr. Mavlankar might be crediting to his own private account the amounts realised by him from the several customers and remitting them, piecemeal and long after, to the "Essenflour Products Co. Ltd. - Sandal Oil Account" seems to have been aroused in the Head Office at Mysore, as early as in November 1926 - vide following extracts from letters -- addressed by the Managing Director (viz., Mr.Sitaramachar) to Mr. Mavlankar:-

Extract from a letter dated 10th Nov. 1926.

"If by the time this letter reaches you, I do not hear from you fully by cable, I shall have to advise Messrs. Coutts & Co. not to let you draw any amounts from Sandalwood Oil funds and I shall have also to write individually to the several firms noted in the enclosed list, calling for their explanation for not paying up their dues."

Extract from another letter of the same date, viz., 10th November 1926.

"If within December the accounts are not set right and the full realisations are not sent in, you can take it from me that my Accountant will go to London and take charge of this business."

Extract from letter dated 1st Dec. 1926.

"..... no realisations have been remitted for oils sold during the first five months of this year."

It is not clear why, in spite of the circumstances referred to in sub-para (iii) above, the Company's Office at Mysore did not take prompt and effective steps to put an end to Mr.Mavlankar's vagaries. Perhaps the indebtedness of the Company itself to Mr.Mavlankar (vide balances due to him as on several dates noted in the margin) might have to a large extent stood in the way of any drastic action being taken against him.

Date.	Balance due by the Essenflour Products Co.Ld. to Mr.Mavlankar.
30th June 23.	Rs. 61,460 6 2
31st Dec. 23	1,61,072 14 6
30th June 24	67,539 9 5
30th June 25	37,899 15 2
30th June 27	1,08,204 3 1
31st Dec. 27	1,39,686 1 2
30th June 28	60,218 14 8

(b) In letter No. 847 dated 3rd September 1925 (copy enclosed - vide Appendix G), Mr. B.Sitaramachar has instructed Mr. K.B.Mavlankar that all letters addressed by the Director of Sandal Oil Factories to Mr.Mavlankar regarding realisations should be ignored by him and that the Director should be asked to address the Mysore Office in the matter.

(v) Miscellaneous amounts creditable to Government.

(a) The following amounts received by the Agents in London towards interest, leakage, etc., have not been credited to Government account:-

Month.	Particulars.	Amount £. sh. d.
May 1925	Interest received from the Red Cross Society of Russia	42 6 6
Nov. 25	Value of 2 lbs. 8½ oz. of oil, being leakage, recovered from Messrs. Sessions Limited ..	3 3 0
14th Feb. 24	Amount received and credited in the "Essenflour Products Ltd. - Sandalwood Oil Account" with Coutts and Co., as "Interest re: Fritsche Bros., New York" ..	3 16 5

The above sums have to be recovered from the Company.

(b) A sum of £6,000 out of the proceeds referred to in sub-para (ii) (c) above was kept in the Mysore Bank as a Sterling Fixed Deposit for three months and a sum of Rs.800 was thereby realised as interest by the Essenflour Products Ltd. This amount has to be paid to Government, as the remittance of the sale proceeds realised in October 1924 from Messrs. -- P. Astiers was delayed till February 1925, i.e.. for about three months.

(c) The amounts credited to Government by the Agents in their monthly Account sales as furnished to the Director are in several cases less than the amounts actually recovered from the customers, as shown in the Account Sales and invoices received from Mr. Mavlankar (vide Appendix D). The differences are due to the alteration of the rates in invoices, which have been reduced by the Mysore Office on varying basis such as by 3d, 6d, 7 1/33d, 9d, or 1 sh. for every pound of oil sold, or to a reduction in certain cases of one per cent on the amount of the invoice. It was explained that these reductions were effected by the Mysore Office in order to

cover brokerage, import duty and other expenses incurred by them in transhipping oil from London to Paris and other places on the Continent. Mr.Mavlankar himself has also effected similar deductions in the invoices and account sales submitted by him, as instructed by the Managing Director in his letter -- No. 805 dated 20th August 1925 - vide copy enclosed (Appendix H). As such charges are not debitable to Government according to the agreement, the total amount of £2654-15-2 (vide Appendix K) thus short-credited to Government should be now recovered from the Agents.

In this connection, it may be pointed out that the procedure followed by the Agents in altering the amounts of invoices was highly irregular. They should have shown in the Account Sales the actual amounts invoiced to the customers and claimed the expenses incurred by themselves from the Director, by furnishing him with full details and vouchers.

(d) In respect of such delayed payments as those referred to in sub-para (iii) above, interest, if any, recovered by Mr.Mavlankar from the customers has to be credited to Government. This can be ascertained only by an examination of Mr.Mavlankar's private accounts at London.

(e) Messrs. Polak and Schwartz state in their letter dated 30th May 1928 that they have purchased 375 lbs. of oil from Mr.Mavlankar as per invoice dated 12th April 1927. This invoice is not traceable in the accounts of Mr.Mavlankar received at Mysore. It has to be verified from Mr.Mavlankar's books at London whether such an invoice was issued and the amount due thereon was recovered.

f) The rates at which the above-mentioned firm reports to have paid Mr. Mavlankar for oil supplied to them from time to time are higher than the rates shown by Mr.Mavlankar in the copies of his invoices furnished to the Mysore Office and in the Account Sale furnished to the Director by the Agents

(vide Appendix E). It seems therefore probable that Mr. Mavlankar has not been crediting the Essenflour Products Ltd. or Government with the full amounts realised by him from customers. This requires further investigation with reference to accounts maintained by Mr. Mavlankar in London, and such differences, if any, should be recovered and credited to Government.

(g) From the "Essenflour Products - Sandal Oil Account" with Coutts and Co., it is noticed that Messrs. Bush and Co. have paid a sum of £630 twice, once on 6-5-1925 and again on 30-6-1925, whereas the amount due from them was only £630 (on delivery Note No. 277 dated 18th February 1925) according to the accounts furnished by Mr.Mavlankar to the Mysore Office. Mr.Mavlankar subsequently explained that the double credit was an error and withdrew a sum of £630 from Coutts and Co. on 16-1-1926. The nature of these transactions has to be enquired into at London from Mr.Mavlankar's records and the correctness of the withdrawal on 16-1-1926 verified.

(vi) Summary of Expenses

Detailed vouchers have not been obtained by the Essenflour Products Limited from Mr. Mavlankar for the expenses shown in his accounts.

In the accounts furnished to the Director, the Agents have claimed and recovered several amounts described as "Dock Charges" and aggregating £246-1-9 as shown in Appendix F. In the corresponding returns received from Mr.Mavlankar, these charges are termed as "Housing Charges". Mr.Mavlankar states, in his letter dated 19th June 1924 addressed to the Mysore Office, that the expenditure is incurred on "special labour that has to be employed when the cases come and we have to ware-house them". As such charges need not be borne by Government under the terms of the agreement, they should be recovered from them and the Agents also instructed not to show such charges as "Dock charges" in their accounts furnished to the Director.

(vii) Invoices.

Copies of invoices received from Mr Mavlankar are not attested by him and there is no knowing how far they are true copies of the originals issued to the customers.

Invoice No.	Name of party.	Quantity of oil sold.
12	Polak and Schwartz	375 lbs.
303	J.D.Reidal	675 "
336	D. Laire	75 "
344	-do-	75 "
Invoices Nos.1194 to 1206 and 1211 of October 1928.		

Copies of the marginally noted invoices were not forthcoming.

(viii) Audit of London Accou....

In view of the serious defects noticed in paras III (1) to (vii) above, the accounts maintained by Mr.Mavlankar in London in connection with the sandal oil Agency should be got audited in detail.

IV. American Accounts.

(a) Lists of amounts outstanding against several customers in America as on 30th June 1928 or any prior date, duly certified to by Messrs. Cox, Aspden and Fletcher, have not been obtained by the Essenflour Products Limited. It cannot therefore be stated if all amounts realised from customers are being regularly remitted to Government by Messrs. Cox, Aspden and Fletcher. A list of such outstandings should be obtained monthly from them by the Company's Office in future and submitted to the Director; and Messrs. Cox, Aspden and Fletcher should also be definitely instructed that all amounts realised from customers should be completely remitted to Messrs. Coutts and Co. London, once a week, except for whatever small reserve may be required to be retained by them for meeting distillation and other immediate expenses - a suitable maximum limit being prescribed in this behalf.

(b) The amounts due to Government from the Agents on account of the sales in America have also gradually increased

as shown below:

Date.		Amount due (in dollars) as per Account Sale. $ cents.
31-12-192ɔ	..	39,863 . 38
30-6-26	..	72,959 . 03
31-12-26	..	82,552 . 54
31-12-27	..	92,852 . 82
30-6-28	..	1,05,385 . 08
31-10-28	..	1,27,626 . 49

It has to be ascertained from Messrs. Cox, Aspden and Fletcher, how far amounts realised by them are still unremitted.

V. Financial Position of the Essenflour Products Ld. as on 30th June 1928.

The accounts of the Company have been audited by certified auditors, only to end of 30th June 1927. The latest available Balance Sheet of the Company is that of 30th June 1928. According to this unaudited Balance Sheet, the Subscribed Share Capital of the Company is Rs. 2,00,000 of which Rs.1,83,305-9-0 only is paid up, while the total losses incurred up to 30th June 1928 amount to Rs. 1,63,461-3-3. The original cost price of land, buildings, plant and machinery, furniture and fittings and other fixed assets is Rs. 2,09,610-12-9, on which the depreciation so far adjusted is only Rs. 6,338-6-2. The amounts due to Government from the Company as on 31st October 1928 according to their accounts for October 1928 were £52,464-1-5 and dollars 1,27,626.49 (cents). Government will have to decide about the taking of sufficient security from the Agents in relation to the magnitude of the operations and amounts involved.

Sd/- K. R. Krishnaswamiengar,
1-3-1929.
Deputy Comptroller.

"True Copy."

" In reply please refer to
No. D.O. No. 67

Tel. Address :—
"JURIST," Bangalore.

OFFICE OF THE GOVERNMENT
IN MYSORE,

Bangalore... 25th June 1929~~192~~

CONFIDENTIAL.

Dear Sir,

The account books of the Essenfleur Products Co., Limited., which came to my notice in the Sandalwood Oil Defalcation Case disclose that at the end of June 1928, the Mysore Development Syndicate owed the Essenfleur Products Co., Ltd., over Rs.75,000/-. A similar a sum was due by the Asbestos Company, Ltd., also. There are no reasons to think that these loans have been discharged. The Mysore Development Syndicate is a private partnership firm and the amount that may be found due by it may therefore be recovered from the partners. The Asbestos Co., Ltd., seems to have valuable assets. As the Essenfleur Co., Ltd., owes a large amount to Government, the Government Auditors may be requested to ascertain what amounts are now due by the above two concerns, so that suitable steps may be taken for securing those amounts for the benefit of Government.

D. O. No. 138/Spl.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF MYSORE,

Bangalore, dated 26th June 1929

Dear Sir,

I write to invite ~~your~~ kind reference to your letter No.672/P (Confidential) dated 26th June 1929 and to state that the copy of D.O.No.67 dated 25th June 1929 received from the Government Advocate, said to have been sent along with the above letter has not been received. I request that the same may kindly be arranged to be sent immediately for taking action in the matter.

Yours sincerely.

To

P. Manadevayya, Esq., B.A.,B.L.,
Secretary to Government,
Law Department.

Dear Sir,

With reference to your D.O.No.138/Spl. of this date, I enclose herewith a copy of D.O.letter No.67 of the 20th instant received from the Government Advocate.

Yours sincerely,

Appendix F G–1

SUBJECT.....

.....

.....

Diary No. of letter replied to.....

Section

File No.

Serial No.

No. 31

General and Revenue Secretariat

To

The Comptroller to Govt
Bangalore

Date of issue 7/1/29

Sir,

I am directed to invite

Signed by M. T. Madhavaraya

reference to ~~this office~~ my (Confidential) letter No. 672/P.N. dated 26th June 1929 requesting you to ascertain the amounts due to Essentiaur Products Ltd. from Mysore Development Syndicate and Asiatic Co. Ltd and to request you to expedite the matter, which may be treated as very urgent

List of enclosures.....

Copied by.....

Examined by.....

Despatched

WD 0399—GPB—20,000—18-9-28

CONFIDENTIA

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. 1018

Bangalore, dated 10th July *192*9.

From

S. SHAMANNA, Esq., B.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
BANGALORE.

To

P. Mahadevayya, Esq., B.A.,B.L.,
Secretary to the Government of Mysore,
Law Department, Bangalore.

Sir,

With reference to your letter No. 672/P dated 26th June 1929 and subsequent reminder dated 9th instant about the -- amounts due to Essenfleur Products Ltd. from the Mysore - - Development Syndicate and the Mysore Asbestos Products Co., I have the honor to state that the required information will be furnished as soon as a reply is received from the Director of Sandal Oil Factories to my D.O. No.3/Spl dated 3rd instant - vide copy enclosed.

I have the honor to be,
Sir,
Your most obedient servant

S. Shamanna

Comptroller.

D.O. No. 3/Spl.(Enc. 2)dated 3rd July 1929 (Confidential)
from S. Shamanna, Esq., B.A., Comptroller in Mysore
to Gulam Mohadin Mehkri, Esq., B.A.,B.L. B.,
Director of Sandal Oil Factories in Mysore,
Bangalore.

Please see enclosed copy of letter No.672/F dated 26th June 1929 from the Secretary to Government, Law Department, requiring information as to the exact amounts due to the Essenfleur Products Co., Ltd., by the Mysore Development Syndicate and the Mysore Asbestos Products Co., Ltd., As the only source of information available to the Auditors for this purpose is the Ledger of the Essenfleur Products Co., that is now in the custody of the Court and as this Ledger could not have been posted up-to-date and the balances therein could not also be considered as authoritative without the confirmation of a responsible officer of the Company, I have ~~the~~ to request you to be so good as to get the required particulars from the - - Company, i.e. the exact amount due to the Company up-to-date from each of the two above-mentioned concerns and the nature of the security, if any, held by the Company against these dues.

2. The favour of an early reply is requested.

Copy

v. Sr Srinivasamurthy Chetty.

Superintendent
Comptroller's Office.

GOVERNMENT OF MYSORE

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

Bangalore, 12th July 1929

No. 258
Enc. 2

RD 1317/29

Dear Sir,

With reference to your letter No.32/P dated 9th July 1929, I am sending herewith copies of my -- letters addressed to the Development Secretary, regarding amounts due to the Essenfleur Products, Ltd nd Mr. B. Sitaramachar, so far as I have collected information about them from third parties. Any further information that I may obtain in respect of them will be intimated to you immediately.

Yours sincerely.

Confidential

Letter No.195, dated 10th July 1929, from the Director of Sandal Wood Oil Factories in Mysore, to the Development Secretary to Government of Mysore.

With reference to your D.O.letter No.D.13400/S.O.F. 91-28, dated the 18th June 1929, asking me to furnish some information about the shares held by Mr. B. Sitaramachar in the local Asbestos Co., I write to state as follows :--

A Company was floated to prospect Asbestos mining in Mysore and, finding that it was not a paying concern, they took up a lease from Mr. Malla Reddy of Cuddappah of the rights to prospect and mine Asbestos in that area with the condition that Mr. Malla Reddy would be given some royalty, on the ore mined. This new Asbestos Company later on arranged to transfer their interest to Messrs Symington Cox of Bombay for a consideration of Rs 6 lakhs, of which Rs 4 lakhs is to be paid in cash in four annual instalments and the balance to be held in shares in the New Company which Symington & Cox were going to float. A sum of Rs 50,000 was paid by Messrs Symington & Cox by way of earnest money and this amount has been paid to liquidate a debt due by the Asbestos Company to Mr. Narayan Das Gokuldas, a merchant in Madras. The remaining Rs 3½ lakhs when realised will be set apart for repaying the balance of the debt due to the above said merchant, from whom they have taken a loan of Rs4 lakhs. It is learnt that the transfer of the mining rights has not yet been effected to the New Company and Messrs Symington & Cox, after working the mines, and investing some money have found the business not very lucrative and are trying to back out of the bargain if possible.

Mr. B. Sitaramachar, as Managing Director of this Company, bought some lands in his own name adjacent to the mining area and has transferred the mining rights in them to Messrs Symington & Cox for a sum of Rs 2 lakhs, but has not

received any money on this deal. The other shareholders of the Asbestos Mining Company are disputing the right of Mr. B. Sitaramachar, as Mining Director, to own these lands in his personal capacity and will probably take up the matter before a Civil Court, if Mr. Sitaramachar is not agreeable to transfer his rights to the Company.

Mr. B. Sitaramachar, I understand, was the consulting Engineer to this New Asbestos Company; and from enquiries made it is not possible to say what s he was promised by way of remuneration as Consulting Engineer to this Company and what remuneration he has received so far.

Sd/- L. G. Mehkri.
Director.

Copy.

Director.

Confidential.

Letter No.257, dated 12th July 1929, from the Director of Sandalwood Oil Factories in Mysore, to the Development Secretary to Government of Mysore.

****

With reference to your D.O.No.D.1/S.O.F.95-28-2, dated 1st July 1929, I enclose herewith a note furnished by Mr. K. B. Mavlankar in respect of the Mica, Musk and the Pearl Nechlaces and other jewellery in his custody, for information of Government. Mr. Mavlankar has promised to write to London, to ascertain the probable realisable value of Mica and on receipt of this information from them I shall send a further report in the matter.

The stock of Thymol and Thymane is stated by Mr. Mavlankar to be worth about £ 700 to £ 800. Mr. Mavlankar states, that the realisations from the sale of these will not be paid to Mr. Sitaramachar. but will be credited to the Essenfleur Product Account. These realisations will be available to Government when they proceed against the Company for the recovery of amount due by them.

Mr. Mavlankar values the Necklaces and the other jewellery to be worth between £ 1200 to £ 1500, and states that these belong to the late Mr. Vardhamaniah. These have been kept in safe custody with Messrs Coutts & Co. in the joint names of Mr. Rice and Mr. Mavlankar, and there is therefore no fear of their being transferred to his heirs without our knowledge. If the responsibility of the late Mr. Vardhamaniah, as one of the Directors of the Essenfleur Products, Ltd. to make good the loss sustained by Government is established in a Civil suit, I think these will also be available as assets for Government to proceed against.

As regards the consignment of Musk belonging to Mr. Mavlankar, in the custody of the Essenfleur Products Ltd., I have arranged with Mr. Ramalingam, the present Managing Director of the Company to have the same handed over to Mr. Mavlankar after a Receiver is appointed by Court, in connection with the suit filed by the Mysore Bank against the Company. Mr. Mavlankar, after taking delivery of the material, will send it to me for safe custody and for being disposed of, as demand arises through Mr. A. T. Acharya, his agent. The Amounts as realised by the sale of this musk will be credited to Government, towards the outstandings due by Mr. Mavlankar.

Consignment of Mica.

I don't exactly know what quantity of goods are actually lying unsold in London. There have been shipments by various steamers. The quality is very poor and the prices realised are far below the prices mentioned in the relative invoices. The total value of all unsold goods will probably be a few hundred pounds only. Messrs. Hall & Sons of London who specialise, in this class of trade are employed by me for the sale of all unsold goods and they know what has been sold and what is yet unsold. I shall write to them by this week's mail, asking them to send me an estimate of the probable realisable value of these goods. This will give Government an approximately correct idea of these assets.

Essenfleur Goods :-- Thymol & Thymane.

These are the only important goods belonging to Essenfleur Co., lying unsold with me. About 15 cwts. of thymol are unsold yet. The price that we are realising is between 7 and 8 sh. per pound. Thymane is a very cheap article the price realised is between 6 d. and 10 d. per pound. The total value of these goods will be somewhere about £ 700 to £ 800. As opportunities occur, my London Office is selling these goods and are crediting the sale proceeds to the Essenfleur account, but no sale proceeds shall be actually paid to Essenfleur or any representative of theirs. Instructions to this effect have been left with my London Office when I came away.

Pearls :--

There are three necklaces, and a few sundry articles, such as a jewel cup, a gold necklace, a pearl button, etc. With the exception of the necklaces, all other articles are of small value. My valuation of the

pearl necklaces is about £ 1000. There are certain difficulties in disposing of these articles owing to the sizes of the pearls not being given. All these articles belong to Mr. M.L. Vardhamaniah and their total value will be somewhere between £ 1200 to £ 1500. All these goods have been kept with Coutts & Co., under the joint signature of Mr. Rice and myself.

Consignment of Musk.

This consists of 9½ cwts. of Musk Xylol and 1 cwt of Musk Ambrette. The price which can be realised for the former is about Rs 6/- per pound and for the latter Rs 20/- per pound and the total value of this consignment will be about Rs 8,000 to Rs 9,000. These goods are still lying with the Essenfleur Co., and belong to me. I am arranging to obtain delivery through Mr. -- Ramalingam and delivering them to the Mysore Sandalwood Oil Factory, during the next few days.

Sd/- K. B. Mavlankar.

Confidential

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. 18/Spl Cr.1

Bangalore, dated 17th July *1929*

From

S. SHAMANNA, Esq., B.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
BANGALORE.

To

P. Mahadevayya Esq., B.A.,B.L.,
Secretary to Government,
Law Department,
B a n g a l o r e.

Sir,

In continuation of my letter No.10/Spl. dated 10th July 1929 regarding the amounts due to the Essenfleur Products Ltd., from the Mysore Development Syndicate and the Mysore Asbestos Products Co., Ltd., I have the honour to forward herewith copy of letter No.255 dated 12th July 1929 received from the Director Sandal Oil Factories, stating that the present Managing Director of the Essenfleur Products Ltd is not in a position to furnish the required information etc,, The Ledgers of the Company that are in the custody of the Police and the Special Magistrate, are posted only to end of June 1928, and it is noticed therefrom that the Mysore Development Syndicate owes the Essenfleur Products Co., a sum of Rs.77,241-5-6 and the Mysore Asbestos Co., while owing a sum of Rs.75,906-7-2 in a general account has to get a sum of Rs.1,49,060-0-0 on a separate loan account from the Essenfleur Products Co., the net result being that the Essenfleur Products Co., owes the Mysore Asbestos Co., a sum of Rs.73,153-8-10

I have the honour to be,
Sir,
Your most obedient servant,

S. Shamanna.
Comptroller.

Letter No.255 (Confidential) dated 12th July 1929 from Gulam Mohadin Mehkri Esq., B.A. B.L.L.B Director of Sandal Oil Factories to S. Shamanna Esq., B.A Comptroller to the Government of Mysore, Bangalore.

...

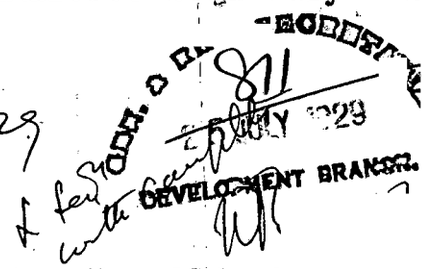
With reference to your D.O.No.3/Spl. dated 3rd July 1929 and your No.11/Spl. dated 10th July 1929, enquiring about the exact amounts due to the Essenfleur Products, Ltd., by the Mysore Development Syndicate and the Mysore Asbestos Products Co., I write to state that Mr. Ramalingam, the present Managing Director, is not in a position to furnish the information called for, as the account books are in the custody of the Police and the ledgers have not been written up for the last six or seven months. I have requested him to depute his clerk, Sundara Rao to see me on the 14th afternoon at Mysore in this connection and shall let you know after reference to the Company's Books, if any information could be furnished on the points required by the Secretary to Government. Law Department.

'Copy'

D. Cr. Singamuelu Chetty

Superintendent,
Comptroller's Office

SANDALWOOD OIL FACTORY
Bangalore. 23rd July 192



Dear Sir,

In continuation of my letter No. 256, dated 16 July 1929, promising to furnish you information regardin the amounts due to the Essenfleur Products, ltd., by the Mysore Development Syndicate and the Mysore Asbestos Co. after reference to the Company's books, I write to infor that the ~~amount~~ amounts relating to these companies have been closed till June 1928, and entries have been posted up t the end of December 1928, and not finally closed for the half year ending 31st December 1928. From a reference to these account books it is seen that the Essenfleur Product owe the Asbestos Co. a sum of Rs 149,060 and the Asbestos Co. owe the Essenfleur Products a sum of Rs 73,154. It will therefrom be seen that the Essenfleur Products owe the Mysore Asbestos Co. a sum of Rs 75,906.

The Mysore Development Syndicate on the other hand owes to the Essenfleur Products, Ltd. a sum of Rs 77,242 and this sum may be available when proceedings are taken against the Essenfleur Products for recovery of sums due by them to Government. From private enquiries made, I learn that no transactions have taken place between these companies after 1st January 1929, but this cannot be verified with the account books, as they have not been written up to date.

For reasons which I have personally explained to you, I think it is unnecessary to obtain a confirmation certificate from a responsible officer of the Company, just at present.

A. K. NAGESVARA IYER, B.A., L
ADVOCATE.
ಎ. ಆರ್. ನಾಗೇಶ್ವರ ಐಯ್ಯರ್, ಬಿ.ಎ., ಬಿ.
ಅಡ್ವೋಕೇಟ್,
ಚಿಕ್ಕಪೇಟೆ, ಬೆಂಗಳೂರು ಸಿಟಿ.

CONFIDENTIAL

Dear Sir,

As desired by you in person I have herewith enclosed a revised draft of the Plaint to be filed in the Court of the District Judge of Mysore, for the recovery of the Sandal oil amount that has been misappropriated by the Agents. The reasons for proceeding against the Directors personally are also explained in the Plaint.

Yours sincerely,

A. K. Nageshwara Iyer

P. Mahadevayya, Esq., B.A., B.L.,
Secretary to Government,
Law Department,
BANGALORE.

IN THE COURT OF THE DT. JUDGE

O. S. No. of 28-29

The Director,
S. Oil. Factory. VS.

1. The Essenfleur Products Cp., Ltd.,
its Managing Directo-
Mr. .....

2. Mr. B. Sitaramachar.

3. Mr. H.

4. Mr. B. K. G.

5. to 7. .....
Sons of Mr. V.

PLAINT UNDER ORDER 7, RULE 1, CIVIL PRO. CODE.

The first defendant Company is a private - Limited Company registered under the Companies Regulation of Mysore and has its registered office in Mysore City. The second defendant was the Managing Agent of the said company ever - since its formation. Defendants 3 and 4 are the Directors of the said company and the remaining defendants i.e., defendants 5 to 7 are the sons of one V. who was the Governing Director thereof. As he died about the end of July 1926, his legal representatives. ~~the other~~ defendants 567 have been impleaded in the suit

2. The first defendant company was dealing in the manufacture and sale of Essential Oils and was having its business in some of the forei countries also.

3. The persons above referred to were also the Directors of another allied concern viz., th

Mysore Asbestos Company, Limited., which was also a private limited company having its office in - Mysore. The second defendant was the Managing - Director thereof and Mr. V. the Governing Director.

4. There was another partnership firm called the M. D. S. Company of which the second defendant was the Manager and the other persons abovenamed were the important partners. This company had 9 partners in all. These 9 partners and 4 others were the share-holders in the other two companies referred to above.

5. All these three companies had their offic in the same building and were practically worked as one concern.

6. The first defendant company who were doing business in essential oils etc., began negotiations with Government in May 1923, for taking up the Agenc for the sale of the Mysore Government Sandalwood Oil manufactured by Government in their factories in Mysore and Bangalore, through their Governing Director the late Mr. V. the father or defendants 5 to 7. Government accepted their offer and the first defendant company became the agents of Government for the sale of their Sandal wood Oil in Europe and America from 1-9-1923. They also took over the stock etc., fro Messrs. Whiffen & Sons., who were doing the business as Agents of the Mysore Government till then.

7. Though the first defendant took up the above agency from 1-9-1923 on terms and conditions which had been agreed upon between the parties, the company, i.e., their officers for obvious reasons - put off executing the required agreement and after repeated

repeated pressure was put on them, the company executed an agreement on 10-6-1925 and that was signed by the second defendant for and on behalf of the company as authorised by the company at their meeting. A copy of the agreement is herewith filed. The original agreement is filed in another case and that will be produced in court later. This agreement which was for a period of three years was however renewed for a further period of 3 years and 4 months on practically the same terms and conditions and this was executed on 9-12-1926.

8. Among other matters, the E. P. Compar agreed to send proper accounts to the Director of the Sandalwood Oil Factory regularly and to render accounts from time to time, and credit to Government the proceeds from the sale of sandalwood oil realized on behalf of Government without delay, at all events, not later than once a week; and also undertook to be responsible for ~~the price of oil sold on credit, whether the amounts were realised or not,~~ bad debts and to credit those amounts to Government ~~those amounts~~ not later than six months from the date of sale.

9. The E. P. Company ~~was~~ were ~~according to the agreement~~ doing ~~its~~ their business in Europe ~~with~~ through their own representatives, Mr. K. B. Havlankar, ~~in London~~ and ~~was~~ were also doing their business in America with their representatives ~~of theirs, Mr. Cox.~~ messrs Asplden & Fletcher

10. It was found out later that proper accounts were not sent to the Director by the Company and that the amounts realized by the sale of the oil were utilized for their own purposes in violation of the terms of the agreement. and that

they were crediting to Government only small amounts, and ~~was also~~ were also furnishing false account. to the Director. It was found that the arrears began gradually to mount up. and when asked, ~~a~~ false explanations ~~was~~ were given that large amounts were outstanding on the customers.

✓ 11. As there were grounds for suspicion ~~that the matter was not quite straight~~, the Sandal wood oil accounts in Mysore and London were audited on behalf of the Government about the beginning of 1929 and it was found out that a large sum of money viz., about £ 65,000 belonging to Government and which had been ~~utilised~~ realised by the Agents on behalf of Governme had been mis-appropriated and utilized by the Company for ~~their own purposes~~ of the Co. and for meeting the liabilities of the directors, and that the explanations given by them that ~~these~~ heavy amounts were outstanding on customers were all false. The directors have fraudulently acted in violation of the terms of the agreement to the detriment of ~~the~~ Govt interests.

(The amount due according to American accounts will have to be ascertained and included in the claim as this also arises out of the same contract)

12. The E. P. Co. ~~&~~ as also the other companies as has now been disclosed were, at all events, when the agency was applied for, working at a loss and the Directors were fully aware of the state of affairs of these companies

13. ~~The second defendant~~ The second defdt and the deceased father of the defendants 5 to 7 have practically made use of the moneys for their own purposes for meeting the liabilities of the directors - and for ~~the purpose~~ the use of their own companies; and defendants 3 and 4 have ~~by their~~ by their wilful neglect gross and and ~~thus~~ by their fraudulent conduct allowed ~~these~~ these moneys to be ~~so~~ utilized.

14. Among other matters, the Directors have

not only not given to the company the care and attention which as responsible officers of the Company they should have done, but have ~~also~~ by their active and fraudulent conduct allowed the moneys belonging to Government to be mis-appropriated for ~~other~~ the above mentioned purposes. To start with, the Directors including defendants 3 and 4 enabled the second defendant and the late Mr. V. and their London Representative Mr. M. to operate on the Coutts & Co., Sandal Oil accounts which had been opened solely for depositing the sandal oil monies and further allowed very heavy amounts from that fund to be used for the payment of the loans which they had borrowed on their personal responsibility with a view to bring down their own liabilities.

Further particulars may be put in here if necessary).

15. Further, though on several occasion the shareholders and defendants 3 and 4 felt that the affairs of the company were not managed properly and that the affairs of the company ~~xxxx~~ needed close ~~xxxxx~~ scrutiny, they ~~did not~~ wilfully refrained from doing the needful in the matter ~~and~~ but and allowed things to go on as before ~~without any steps being taken to set matters right~~ with the fraudulent object above mentioned. Further, they practically encouraged the application of the sandalwood oil realizations to be applied for discharge of liabilities of their other concerns for which they were personally liable and defendants ~~2 and~~ 3 & 4 fully knowing that the E. P. Co., and the other allied concerns were working at a loss and had no funds, were putting insistent pressure on the Managing and the Governing Directors to pay off their

their liabilities while they knew throughout that it was only the sandal-wood monies that were being so utilized. On account of their negligence and fraudulent conduct, the directors are also personally liable for the suit claim.

16. Though the Balance sheets and the accounts of the companies clearly showed that the companies had no moneys of their own, but had borrowed very largely, the Directors including Defendants 3 and 4 allowed these concerns to continue and acquiesced in the application of the sandal oil moneys for continuing these losing concerns.

17. The Governing Director Mr. V. was also liable to make good the suit claim particularly as the sandal oil moneys were utilised also for his benefit by way of discharging the debts he was personally liable to pay. His estate has benefitted by his fraudulent act and his estate in the hands of his legal representatives, defendants 5 to 7 is therefore also liable for the suit claim.

The amount appropriated as above up to the date of Mr. V's death must be put in after ascertaining

18. The cause of action accrued within the jurisdiction of this Hon'ble Court about February 1929, when after audit the above fraud was brought to the notice of the plaintiff.

19. The plaintiff is entitled to get from the 1st defendant company and defendants 2 to 4 individually and the estate of the late Mr. V. in the hands of defendants 5 to 7, Rs. .....

20. The value of the suit for purposes of Court Fee and jurisdiction is Rs.

Prayer for Judgment.

21. The Plaintiff prays that this Hon'ble Court may be pleased to award to Plaintiff a decree for Rs. .....with costs and current interest from date of suit upto date of payment against the first defendant company, and defendants 2 to 4 personally and against the assets of the late Mr. V. in the hands of defendants 5 to 7 and for such further or other reliefs as the court may deem proper.

GOVERNMENT OF MYSORE

DRESS FOR TELEGRAMS:
SANDAL
BANGALORE

CODE USED: "BENTLEY'S"

CONFIDENTIAL.

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

Bangalore, 5th October 19 29.

No. 1768
Enc.

10.29

Dear Sir

With reference to your letter No. 170/r. dated the 4th of October 1929, asking me to let you know the exact amount that is now due to Government from the Essenfleur Products, Ltd., I write to state that I shall furnish the information required before Monday evening at the latest.

Dear Mr. Nageswara Iyer,

With reference to your letter dated the 1st instant, forwarding a copy of the revised draft of the Plaint in the Sandal Oil case, I am desired to request you to kindly send a statement of your considered opinion as to the legal effect of the Arbitration Clause in the Agreement with Essen Fleur on the maintainability of the proposed suit.

GOVERNMENT OF MYSORE

ADDRESS FOR TELEGRAMS:
SANDAL
BANGALORE
CODE USED: "BENTLEY'S"

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

Bangalore, 7th October 1929.

No. 1782
Enc. 2

R2-9/10/29

Dear Sir,

As promised in my letter of Saturday last, I am sending herewith a statement showing the approximate amount that is due from the Essenfleur Products, Ltd., in respect of the European and American transactions. This statement is based on a Note furnished by the Development Secretary, copy of which is enclosed for your reference.

Out of the balance shown as due from the Essenfleur Products, Ltd., in the statement, a further sum has to be deducted on account of working expenses incurred by Mr. K.B. Mavlankar in England during the months of November and December 1928. As accounts for these have not been received from the Agents in this office, this sum could not be noted in the statement; but on enquiries it is learnt that copies of these were available with the Investigating Officer. The file of papers sent by him to you may kindly be looked into to find out if these statements are available and this amount noted therein may also be deducted from the total amount due by them.

Yours sincerely,

P. Mahadevayya, Esq., B.A., B.L.,

CLAIM AGAINST THE ESSENFLEUR PRODUCTS, Ltd., MYSORE.

AMERICAN TRANSACTIONS.

Balance due as per American Account Sales for December 1928		150,391.10	
Less amount carried forward by Mr. H.S. Cox for January 1929 and subsequently adjusted		72,106.73	
			$. 78.284.37
Less amount credited by Mr. H.S. Cox to Messrs. Coutts & Co., London		25.000.00	
Amount of expenses and commission incurred by Mr. Cox but not paid to him and adjusted against the liabilities by Mr. N. Madhava Rao		4,889.57	
" Amount recovered from Messrs. W.J. Bush & Co., by adjustment towards distillation charges		10,000.00	
			39,889.57
Net liability of Messrs. Essenfleur Products, Ltd., Mysore, on account of American transactions			

From 1st January 1929, full credit at the rate of 2½% commission has been allowed by Mr. N. Madhava Rao to Mr. H.S. Cox in compounding the claims though he was entitled to only 1½% commission from the Essenfleur Products, Ltd

CLAIM AGAINST THE ESSENFLEUR PRODUCTS, Ltd., MYSORE.

LONDON TRANSACTIONS.

Amount of the liability assessed by the Deputy Comptroll

as per his Audit Report:

1. Amount due as per Account Sales for December 1928	£.60,351	7	4	
2. Excess realisations noticed in Audit	2,950	2	10	
3. Additional realisations from July 1927 to June 2[illegible]	.883	19	10	
4. Difference in sandalwood oil receipts	[illegible]5	6	7	
				£.[illegible].0 16 7

ADD amount spent by Government in making these recoveries including the cost of deputation of the officers:

1. Mr. K. Parthasarathi's expenses from [illegible]th January to 23rd February 1929:				
Daily allowance	83	18	7	
Travelling Do.	50	7	2	
2. Mr. M.A. Srinivasa.				
3. Mr. H.D. Rice's expenses				
4. Mr. N. Madhava Rao's expenses including the fees paid to Mr. Forthingham for $.605.00			4	5
5. Mr. N. Madhava Rao's maximum salary for April, May and June Rs.4,200/- @ s.1/6 to the rupee		315	0	0
Legal fees of Messrs. Blundell, Baker & Co.		125	0	0
				2,062 0 3
				67,432 16 10

LESS

1. Amounts directly credited by the customers in January, February and March 1929		366 9 9	
2. Amount credited by Mr. K.B. Mavlankar directly against the arrears:			
	£.3,000 0 0		
	£.1,045 1 1		
3. Amount due to Mr. K.B. Mavlankar by the following, credited towards the arrears by adjustment:			
a. Soap Factory	82 8 0		
b. Mr. K. Parthasarathi	95 0 0		
		177 8 0	
4. Expenditure incurred by Mr. Mavlank... from January to 12th July 1929		1,498 4 4	
5. Commission at 1½% on sales from 1st January to 12th July 1929.		1,084 5 0	
			21.671 8 2
Net liability of the Essenfleur Products, Ltd., on account of London tran sactions			£.45.761 8 8

GOVERNMENT OF MYSORE

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

SA
BANGAL

CODE USED: "BENTLEY'S"

Bangalore, 7th October 1929.

No. 1778/1
Enc.

Dear Sir,

With reference to your D.O. letter No.2937/S.O.F.32-29-2 dated the 14th of September 1929, asking me to send a statement showing the amount due to Government by the Essenfleur Products, Ltd., to the Legal Remembrancer, I am forwarding herewith a statement prepared on the lines proposed in your Note. As sufficient materials are not available in this office to calculate the interest on intercepted amounts from the dates of their realisation, it is regretted that this amount could not be included in the statement. The extra price charged to buyers and not paid to us has been taken into account by the Deputy Comptroller and has been included by him in arriving at the figure of £.65,370-16-7 as being due to Government by the late Agents.

Yours sincerely,

N. Rama Rao, Esq., B.A., B.L.,

CLAIM AGAINST THE ESSENFLEUR PRODUCTS, LTD., MYSORE.

AMERICAN TRANSACTIONS.

Balance due as per American Account Sales for December 1928	$. 150,391.10	
Less amount carried forward by Mr. H.S. Cox for January 1929 and subsequently adjusted	72,106.73	$. 78,284.37
Less amount credited by Mr. H.S. Cox to Messrs. Coutts & Co., Lond	25,000.00	
" Amount of expenses and commission incurred by Mr. Cox but not paid to him and adjusted against the liabilities by Mr. N. Madhava Rao	24,889.57	
" Amount recovered from Messrs. W.J. Bush & Co., by adjustment towards distillation charges	10,000.00	59,889.57
Net liability of Messrs. Essenfleur Products, Ltd., Mysore, on account of American transactions		18,394.80

From 1st January 1929, full credit at the rate of 3⅓% commission has been allowed by Mr. N. Madhava Rao to Mr. H.S. Cox in compounding the claims though he was entitled to only 1½% commission from the Essenfleur Products, Ltd.

CLAIM AGAINST THE ESSENFLEUR PRODUCTS, Ltd., MYSORE

LONDON TRANSACTIONS

Amount of the liability assessed by the Deputy Comptroller as per his Audit Report:

1.	Amount due as per Account Sales for December 1928.	£. 60,351	7	4	
2.	Excess realisations noticed in Audit	2,950	2	10	
3.	Additional realisations from July 1927 to June 28.	1,883	19	10	
4.	Difference in sandalwood oil receipts	185	3	7	
				£.	65,370 16 7

AND amount spent by Government in making these recoveries including the cost of deputation of the officers:

1.	Mr. K. Parthasarathi's expenses from 5th January to 23rd February 1929:				
	Daily allowance	83	18	7	
	Travelling Do.	50	7	2	
			34	5	9
2.	Mr. M.A. Srinivasan's expense:		435	4	10
3.	Mr. H.D. Rice's expenses		443	5	3
4.	Mr. N. Madhava Rao's expe luding the fees paid to Mr. Forthingham ~~for~~ $. 305.00		609	4	5
5.	Mr. N. Madhava Rao's ~~expenses~~ salary for April, May and June Rs. 4,200/- @ s. 1/6 to the rupee		315	0	0
	rs. Blundell, Baker & Co.		125	0	0
				2,062	0 3
				67,432	16 10

					67,432	16 10
LESS						
1. Amounts directly credited by the customers in January, February and March 1929				14,866 9 9		
2. Amount credited by Mr. K.B. Mavlankar directly against the arrears:						
	£. 3,000	0	0			
	£. 1,045	1	1			
				4,045 1 1		
3. Amount due to Mr. K.B. Mavlankar by the following, credited towards the arrears by adjustment						
a. Soap Factory	82	8	0			
b. Mr. K. Parthasarathi	95	0	0			
				177 8 0		
4. Expenditure incurred by Mr. Mavlankar from January to 12th July 1929				1.498 4 4		
5. Commission at 1½% on sales from 1st January to 12th July 1929.				1,084 5 0		
					21,671	8 2
Net liability of the Essenfleur Products, Ltd., on account of London transactions					£. 45,761	8 3

To,

The Director of S.O.2

Sir,

With reference to your letter No: 1782 dated 7/8 to Oct 1929 forwarding a statement showing the approximate amount that is due from the Essenfleur Products Ltd in respect of the European and American transactions, I have the honour to state that the copy of the Note said to have been furnished by the Development Secy, on which you say the present statement is based, has not been received by me with your letter

It is not possible for me to ascertain here from the file of papers sent by the Investigating officer, the amount of working expenses incurred by Mr Mavlankar in England during the months of Nov & Dec 1928. If necessary you may have the papers now with me examined by

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

Bangalore, October 14th 29.
Camp. Mysore.

CONFIDENTIAL:

FROM

THE DIRECTOR,
SANDALWOOD OIL FACTORIES IN MYSORE,
BANGALORE.

To

The Secretary to the Government of His Highness
The Maharaja of Mysore,
Law Department.

S i r,

With reference to your letter No.177/P. dated the 11th Octr.'29, I have the honour to state that a copy of the note furnished by the Development Secretary, was sent to you separately by post, and another copy has been sent herewith for reference.

Arrangements will be made to trace the accounts relating to the working expenses of the Agents, during the months of November and December 1928, in the files of papers returned by the Investing Officer to you.

I have the honour to be,
S i r,
Your most obedient servant.

SANDALWOOD OIL FA
BANGALORE

S. O. 41

No. 1782 of 7-10-24

F

~~To~~

~~I Sort Class~~

~~The Secretary to the~~
~~Government of His Hig~~
~~the Maharaja of my~~
Law Department
Bangalore

Notes of discussion with the Director of Sandal wood Oil Factories on 5th September 1929.

Our claim against the Essenfleour Products might consist of the following items: -

1) The total amount assessed by the Deputy Comptroller to his audit, less the amount subsequently recovered by Government in America and in England

(2) The amount spent by Government in making these recoveries, including the cost of deputation of officers.

(3) Such amounts as may be considered to have accrued subsequently in the way of interest and miscellaneous charges.

In regard to commission, the position seems to be this: From 1st January 1929, the Essenfleur Products, though continuing nominally to be agents, had really ceased to function as such, as our own officers in London had taken possession of the business; so that from this date onwards, they are not entitled to any commission whatever. From 1st January 1929 our representatives in London were employing Mavlankar in connection with sandal oil sales. For this service, Mavlankar would, in fairness be entitled to the same commission which he was being allowed formerly for similar services by the Essenflour Products. Both the amount of this commission and the sale expenses have to be taken into account to the credit of Mavlankar and applied in adjustment of his liabilities. Since the total

ount recovered from Mavlankar goes in reduction of

the Essenfleur Products indirectly get the benefit of this amount in the assessi liability.

The Director of Sandal Oil Factories will have to ascertain the working expenses incurred in November and December in London, and prepare a statement of the total amount recovered up to date out of the defalcated sum of about £ 65,00 This statement may be placed before the Legal Remembrancer for advising Government as to the amount to be included in the suit, the nature of the suit to be filed and the nature of the remedies to be sought.

Notes of discussion with the Directorof Sandal-wood Oil Factories on 5th September 1929.

=====

Our claim against the Essenfleour Products might consist of the following items: -

(1) The total amount assessed by the Deputy Comptroller in his audit, less the amount subsequently recovered by Government in America and in England.

(2) The amount spent by Government in making these recoveries, including the cost of deputation of officers.

3) Such amounts as may be considered to have accrued subsequently in the way of interest and miscellaneous charges.

In regard to commission, the position seems to be this: From 1st January 1929, the Essenfleur Products, though continuing nominally to be agents, had really ceased to function as such, as our own officers in London had taken possession of the business; so that from this date onwards, they are not entitled to any commission whatever. From 1st January 1929 our representatives in London were employing Mavlankar in connection with sandal oil sales. For this service, Mavlankar would, in fairness be entitled to the same commission which he was being allowed formerly for similar services by the Essenflour Products. Both the amount of this commission and the sale expenses have to be taken into account to the credit of Mavlankar and applied in adjustment of his liabilities. Since the total amount recovered from Mavlankar goes in reduction of our aggregate claim against the Essenflour Products,

the Essenfleur Products indirectly get the benefit of this amount in the assessment of their liability.

The Director of Sandal Oil Factories will have to ascertain the working expenses incurred in November and December in London, and prepare a statement of the total amount recovered up to date out of the defalcated sum of about £ 65,000. This statement may be placed before the Legal Remembrancer for advising Government as to the amount to be included in the suit, the nature of the suit to be filed and the nature of the remedies to be sought

=======

"C o p y"

Bangalore,
8th October 192

Director,
Sandalwood Oil Facto

Section:

File No

Serial No.

Diary No. of letter replied to..

General and Revenue Secretariat

(

the *192*

Date of issue 15-10-19

Signed by

List of enclosures.....

Copied by.....

Examined by....

Immediate and Confidential

To

A. R. Nageswara Rao Esq., B.A.B.L.
Advocate
Bangalore

Dear Mr. Nageswara Rao,

I am to invite your attention to my letter of even date requesting you to furnish your opinion regarding the effect of the arbitration clause on the maintainability of the proposed suit against Secunderabad Products Co. Ltd. and to request that the favour of a reply may be expected

A. R. NAGESVARA IYER, B. A., B. L.,
ADVOCATE.
ನಾಗೇಶ್ವರ ಐಯ್ಯರ್, ಬಿ. ಎ., ಬಿ. ಎಲ್.,
ಅಡ್ವೋಕೇಟ್,
ಚಿಕ್ಕಪೇಟೆ, ಬೆಂಗಳೂರು ಸಿಟಿ.

CHICKPET,

Bangalore City 29th October 192 9.

Confidential.

P. Mahadevayya, Esq., B.A.B.L.
Law Secretary to Government, Bangalore.

Dear Sir, 29/10/29

With reference to your letter of the 6th instant, I have considered the effect of the Arbitration Clause in the Agreement with Essen Flour C and I think that there is no bar for the maintainability of the proposed suit.

Among other circumstances, the suit is not only against the company but also against the directors personally. The cause of action is also based on the fraud of the Company and its Directors. Further even if th defendants plead the agreement as a bar to the suit the court in its discretion can only stay the suit pending decision of arbitrators and not dismiss the suit. In the present case, the circumstances mentioned above are sufficient to influence the court to proceed with the suit, and not order its stay.

With reference to your letter No.171/P dated 4th October 1929 regarding the amount due from the Essenfleur Products Ltd., I have the honor to state that necessary information has been furnished to you by the Director in his enclosure to letter No.1782/2 dated 7th October 1929. The figures shown therein are correct subject to the following remarks:-

I London transactions.

(a) Amount due as per Account Sales for December 28. £60,351-7-4 This has to be reduced to the extent of the commission and working expenses for November and December 1928 claimed by Mr.Mavlankar and not debited by the Essenfleur Co., in their Account Sales sent to the Director. The Director may be asked to ascertain and intimate the amount.

(b) Excess realisations noticed in audit. £2,950-2-10. This includes a sum of £2,654-15-2 referred to in para (v) (c) of the Deputy Comptroller's Special Report sent to Government with this office D.O.letter No.84/Spl. dated 1st March 1929. As explained in the report, this amount represents the difference between the amounts credited to Government by the Agents in their monthly Account Sales as furnished to Director and the amounts actually recovered from the customers as shown in the Account Sales furnished by Mr. Mavlankar or in the Coutts Weekly Statements. The rates shown in the Account Sales sent to the Director were reduced by 1% or 2% or 1 Sh. 6d. per lb. or

actual realisations by Mr. Mavlankar ~~and~~ to the dates of transfer to the Royalty Account has not been included as the records for calculating the amount are not available in the Factories.

II American transactions.

(a) It is seen from Mr. N. Madhava Rao's letter dated 26th July 1929 addressed to Government that the sum of $60,889.57 has been recovered from Messrs. Cox, Aspden and Fletcher and Messrs. Bush and Co., in consideration of the transfer of the agency to Messrs. Bush and Co., as well as other losses that Government had to sustain owing to the higher distillation charges debited to Government and manipulation of invoices through Jobbers ~~lies~~ like Messrs.Fritsche Bros., Ungerer and Co., etc. It has therefore to be considered whether these recoveries can be set off against the amount of $78,284.37 due from the Essenfleur Co., which corresponds to the sum of £16,000/- remitted by Messrs. Cox, Aspden and Fletcher to the Essenfleur Co.. through Mr. Mavlankar.

(b) The Essenfleur Co., were being pressed to furnish an account of packing cases and cans purchased from time to time. The Director may be asked to intimate whether such an account was furnished and any amount is recoverable on this account.

I have the honor to be,
Sir,
Your most obedient servant,

S Sharma
Comptroller.

R. NAGESVARA IYER, B.A., B.L.,
...DVOCATE.
ಆರ್. ನಾಗೇಶ್ವರ ಐಯ್ಯರ್, ಬಿ.ಎ., ಬಿ.ಎಲ್.,
ಅಡ್ವೋಕೇಟ್,
ಚಿಕ್ಕಪೇಟೆ, ಬೆಂಗಳೂರು ಸಿಟಿ.

CHICKPET.

Bangalore City 11th Jan 1930.

To

P. Mahadevayya, Esq., B.A.B.L.,

Law Secretary to Government of Mysore.

Bangalore,

Dear Sir,

matter, I have herewith enclosed a copy of the plaint to be filed against the Essen Flour C Ltd., and the Directors. In order to secure the s of the company and of the properties of Mr. Seetharamachar without delay, the suit may be filed at once. So far as the other Directors are concerned, the proof required in the suit will practically be the same, as that required in the miscellaneous proceedings. It is difficult to say at this stage what evidence Government will be able to adduce against them and their

Section

File No

Serial No. 2/3

Diary No. of letter replied to.....

Confidential

General and Revenue Secretariat

To

A. R. Nageswara Iyer Esq. B.A.
Advocate

Date of issue 3/1/80

Dear Sir,

I am desired to request you to send me a draft application for the compulsory winding up of the Essenflow Products Ltd and drafts of and other applications such as for the appointment of an additional liquidator; for the public examination of the Directors and for the issue of misfeasance summons under Sec 235 of the Companies Regulation

Signed by.....

List of enclosures.....

Copied by

Examined by.

ove.

Dear Mr Mehta,

In connection with the filing of a civil suit for the recovery of amounts due from the Essenflex Produ it is necessary to know exactly ~~what~~ the available assets of Mr B. Sitaramachar. I request you to kindly send me immediately a list of such assets as also any amounts due to him from third parties

Yours sincerely

Copy forwarded with compts to the Dev Secy with a request to furnish the information required if available in the Secretariat.

General and Revenue Secretaria

Bangalore, 8/11

Dear Mr. Mahadevayya,

With reference to your memo of yesterday, I enclose herewith a schedule of all assets of Mr. B. Sitaramachar. This is a copy furnished under the signature of Sitaramachar. The connected file is herewith sent for your perusal and return.

1230

Schedule of all assets of Mr. B. Sitaramachar.

---

1. Mysore Government, and Oriental Life Insurance Co., Policies .. Rs. 20,000.

2. Shares: -

(a) Mysore Asbestos Coy.,Ltd., .. 25,000

(b) Essenflour Products, Ltd., 20,000

(c) The Mysore Development Syndicate, one-ninth share, whatever it is@

(d) The Mysore Bank Shares Ten (10)

(e) Lakshmipathi Rice Mills. .. 5,000

(f) Cotton Mills 5,000

3. In the new company Mysore Asbestos Mines Ltd., I have been promised about twenty (20) per cent interest in this Company.

(@ This includes my interest in the Manganese Mines at Bellary)

I have no other assets.

B a n g a l o r e. Sd/- B. Sitaramachar,

8th March 1929.

" C O P Y "

V Subrahmanyam

For Secretary to Government,
Development Departments.

48

Dear Sir,

With reference to your letter No.D.7708 dated 8th January 1930 regarding the assets of B.Sitaramachar, I write to state that the file sent has been returned yesterday to Mr. K.Padmanabhayya of your Branch.

To

N.Rama Rao, Esq., B.A.,B.L.,
Secretary to Government,
Development Departments,
Bangalore

GOVERNMENT OF MYSORE

ADDRESS TELEGRAMS:
SANDAL
BANGALORE
CODE USED: "BENTLEY'S"

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

CONFIDENTIAL.

Bangalore, 25th January 1930.

No. 3718
Enc. 4

28/1/30

Dear Sir,

With reference to your D.O. No.215/P. dated the 7th of January 1930, asking me to send you a complete list of assets and of any amounts due to Mr. B. Sitaramachar from third parties, I enclose herewith a schedule of his assets as furnished by Mr. Sitaramachar himself to Government on the 8th of March 1929.

Enquiries were made of the Oriental Life Assurance Company as regards the insurance amounts due to him and, in reply to our reference, the Company wrote to say that they would not be in a position to disclose the amount due to him without the orders of a competent Court.

The Secretary, Mysore State Life Insurance Committee, has reported to say that Mr. Sitaramachar would be entitled to receive a minimum sum of Rs.7,127/- as surrender value of his policies in the Official Branch of the State Life Insurance. I enclose herewith a copy of the Secretary's letter for your information.

As regards the 10 shares held by Mr. B. Sitaramachar in the Bank of Mysore, Ltd., it is learnt from the Manager of the Bank that the said shares are under lien to them and that no amount, therefore, would be available to Government.

I enclose herewith copies of my letters Nos. 195 and 478 dated the 10th and the 23rd of July 1929 respectively addressed to Mr. N. Rama Rao in respect of the shares in the other Companies noted in the said schedule.

I have not been able to obtain any information regarding his shares in the Lakshmipathy Rice Mills and I shall try to obtain some information about it and write to you as soon as possible.

As there is no one who is fully aware of Mr. Sitaramachar's assets, it has not been possible for me to verify the figures furnished by Mr. Sitaramachar himself, and the information furnished above is what could be gathered from enquiries made in Mysore and in Bangalore.

Yours sincerely,

P. Mahadevayya, Esq., B.A., B.L.,

SCHEDULE OF ALL ASSETS OF Mr. B. SITARAMACHA

	Rs.
1. Mysore Government and Oriental Life Insura Company Policies	20,000
2. Shares:	
(a) Mysore Asbestos Company, Ltd.	25,000
(b) Essenfleur Products, Ltd.	20,000
(c) The Mysore Development Syndicate (One-ninth share whatever it i	
(d) The Mysore Bank shares (10) ten.	
(e) Lakshmipathy Rice Mills	5,000
(f) Cotton Mills	5,000

3. In the new Company, Mysore Asbestos Mines Ltd., I am promised about 20 perce interest in this Company)

This includes my interest in the Manganese Mines at Bellary).

I have no other assets.

(Sd) B. Sitaramachar.

Bangalore

8th March 1929.

COPY.

Director.

Copy of Confidential letter No.21079 dated the 2nd of April 1929 from the Secretary, Mysore State Life Insurance Committee, Bangalore, to the Director, Sandalwood Oil Factories in Mysore, Bangalore.

With reference to your No.6126 dated the 1st of April 1929, I write to inform you that Mr. B. Sitaramachar holds policies Nos. 17985 and 21097 in the Official Branch only of the State Life Insurance, the sum assured by them and the Reversionary Bonus Certificates pertaining to them being Rs.12,119 and Rs.2,048/- respectively.

As he paid his premium late in May 1928, he has been called upon to produce a detailed medical certificate under rule 26. If he produces the required certificate and revives his policies, he will be entitled to a Surrender Value of Rs.6,334 on the policies with a present value of Rs.1,756 on the Reversionary Bonus Certificates and add-interim to end of April 1929, in all to Rs.8,000 subject to a deduction of Rs.100-4-2 due towards insurance premium and interest.

If he however fails to produce the required medical certificate within two years from the date of default, the IV Reversionary Bonus Certificate for Rs.909 will be withdrawn and he will then be entitled to receive a Surrender Value of Rs.5,755 and Present Value of Rs.1,372 in all Rs.7,127 only with a refund of Rs.450 paid by him towards premium from June 1928 to end of February 1929.

His policies in the usual course matures on 8th July 1936 and they are not nominated in favour of any.

Further, the insurance policies in the Official Branch are not assignable.

Copy of confidential D.O. letter No.195 dated the 10th of July 1929 from the Director, Sandalwood Oil Factory, Bangalore, to Mr. N. Rama Rao, Secretary to Government, Development Departments.

With reference to your D.O. letter No.13400/S.O.F.91-28 dated the 18th June 1929, asking me to furnish some information about the shares held by Mr. B. Sitaramachar in the local Asbestos Co., I write to state as follows:

A Company was floated to prospect Asbestos mining in Mysore and, finding that it was not a paying concern, they took up a lease from Mr. Malla Reddy of Cuddappah of his rights to prospect and mine asbestos in that area with the condition that Mr. Malla Reddy would be given some royalty on the ore mined. This new Asbestos Company later on arranged to transfer their ~~rights~~ interest to Messrs. Symington Cox of Bombay for a consideration of Rs.6 lakhs of which Rs.4 lakhs is to be paid in cash in four annual instalments and the balance to be held in shares in the New Company which Symington Cox were going to float. A sum of Rs.50,000 was paid by Messrs. Symington Cox by way of earnest money and this amount has been paid to liquidate a debt due by the Asbestos Company to Mr. Narayan Das Goculdas, a merchant in Madras. The remaining Rs.3½ lakhs when realised will be set apart for repaying the balance of the debt due to the above said merchant, from whom they have taken a loan of Rs.4 lakhs. It is learnt that the tranfer of the mining rights has not yet been effected to the new Company and Messrs. Symington Cox, after working the mines and investing some money have found the business not very lucrative and are trying to back out of the bargain if possible.

Mr. B. Sitaramachar, as Managing Director of this Company, bought

bought some lands in his own name adjacent to the mining area and has transferred the mining rights in them to Messrs. Symington Cox for a sum of Rs.2 lakhs, but has not received any money on this deal. The other shareholders of the Asbestos Mining Company are disputing the right of Mr. B. Sitaramachar, as Managing Director, to own these lands in his personal capacity and will probably take up the matter before a Civil Court if Mr. Sitaramachar is not agreeable to transfer his rights to the Company.

Mr. Sitaramachar, I understand, was the Consulting Engineer to this New Asbestos Company; and from enquiries made it is not possible to say what sum he was promised by way of remuneration as Consulting Engineer to this Company and what remuneration he has received so far.

Copy of confidential D.O. No.478 dated the 23rd of July 1929 from the Director, Sandalwood Oil Factory, Bangalore, to Mr. N. Rama Rao, Secretary to Government, Development Departments.

In continuation of my letter No.256 dated 12th July 1929, promising to furnish you information regarding the amounts due to the Essenfleur Products, Ltd., by the Mysore Development Syndicate and the Mysore Asbestos Co., after reference to the Company's books, I write to inform that the accounts relating to these companies have been closed till June 1928 and entries have been posted up to the end of December 1928, and not finally closed for the half-year ending 31st December 1928. From a reference to these account books it is seen that the Essenfleur Products owe the Asbestos Co. a sum of Rs.1,49,060 and the Asbestos Co. owe the Essenfleur Products a sum of Rs.73,154. It will therefore be seen that the Essenfleur Products owe the Mysore Asbestos Co., a sum of Rs. 75,906.

The Mysore Development Syndicate on the other hand owe to the Essenfleur Products Ltd., a sum of Rs.77,242 and this sum may be available when proceedings are taken against the Essenfleur Products for recovery of sums due by them to Government. From private enquiries made, I learn that no transactions have taken place between these companies after 1st January 1929, but this cannot be verified with the account books, as they have not been written up to date.

For reasons which I have personally explained to you, I think it is is unnecessary to obtain a confirmation certificate from a responsible officer of the Company just at present.

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

No. 3957

Banaalore. 8th February 1930.

FROM

THE DIRECTOR,

SANDALWOOD OIL FACTORIES IN MYSORE,

BANGALORE.

TO

The Secretary to the Government of

His Highness the Maharaja of Mysor

Law Departments.

Sir,

I have the honour to state that the Comptroller in his letter No.646/IAD dated the 8th of January 1930 addressed to the Secretary to Government, Development Departments, copy of which has been forwarded to me for information, has pointed out that the Essenfleur Products, Ltd., Mysore, have received a sum of Rs.925-12-0 from Messrs Thos. Cook & Son, Ltd., towards loss of some bags of sandalwood in transit to New York and failed to give credit of this amount to the factories. I therefore request that this sum of Rs.925-12-0 may also be included in the claim of Government against the above company while filing the civil suit.

S i r,

Your most obedient servant,

Director.

ress :—"Sandal Bangalore"

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

Bangalore, 13th May 1930.

FROM

THE DIRECTOR,
SANDALWOOD OIL FACTORIES IN M
BANGALORE.

To

The Secretary,
Mysore State Life Insurance Committee,
Bangalore.

Sir,

With reference to your letter No.19234 dated the 10th May 1930 requesting to be informed whether the sum of ₹ 500/- could be paid to Mr. B. Sitaramachar, I have the honor to state that as it is contemplated to file a Civil suit against Mr. B. Sitaramachar and his co-Directors for the recovery of the sums due by them to Government, the amount of ₹ 500/- need not be paid to him until you hear from me again.

I have the honor to be,
S i r,
Your most obedient servant,

Sd/- M.G. Mehkri,
Director.

Copy of the above is forwarded, with compliments, to the Secretary to Government, Law Department, for information.

Director.